



SPRING 2014

THE ADVOCATE



A publication of the Nevada Department of Business and Industry



Getting stuck at the start

It's Friday afternoon. The clock is an imposing presence in my office and a constant reminder that a deadline looms. *Tick. Tick. Tick.* The assignment: Write the opening salvo for the State's inaugural small business newsletter. The goal: Explain what we're doing and why we're doing it. Should be easy enough, right? But invariably, the question about where to start is the very place that I get hung up.

It seems that I've stumbled head-first onto the answer of "why". Why launch a small business newsletter? Because we know that often times, the start is the place where you get stuck. This truism can apply to creative projects, achieving a goal or launching a business venture.

Behind the scenes, the Department of Business and Industry hosts a quarterly roundtable with statewide small business resource and advocacy organizations in an effort to better work together and develop a support structure that enables and encourages business growth and development in Nevada.

During those sessions, representatives from mentoring groups, lenders, small business development centers, workforce development organizations, government entities and more fill the room. Each of them provide a unique and valuable service. They serve in the trenches, equipping entrepreneurs with knowledge to battle their way to success.

As the State agency appointed by the Governor to serve as the administration's small business advocate, one of our key objectives is promoting access to resources and information. Publishing this newsletter is a key component of passing on our knowledge of the vast resources available on to you.

We hope you find the information provided in this publication to be informative and helpful. To ensure that we are addressing the topics that are most important to you, we would welcome your feedback and suggestions.

We're growing business in Nevada!



P2 / Access to Capital:

Crowdfunding provisions of the JOBS ACT could change the equity investment landscape.



P3 / Ensuring Workplace

Safety: Free safety consultations offered by state agency could save your business thousands.



P5 / Resource Spotlight:

The Governor's Office of Economic Development PTAC program offers government contracting help.



P7 / Ask an Expert:

Warren Cooley of VEDC gives tips for restoring your credit after the economic downturn.

ACCESS TO CAPITAL CORNER:

Investors and Businesses Await SEC Ruling on Final Piece of the JOBS Act

Crowdfunding is fast becoming the go-to approach for raising capital to bankroll a new project or venture. Historically, crowdfunding was based primarily on solicitation of donations with those attempting to fundraise for their project giving the donor some type of benefit in return. These benefits range from recognition on the project, like credits at the end of a movie, to a copy of the finished product. Typically, the source of these funds are friends, family, and acquaintances. Once a project starts to take off, buzz is created, leading to friends of friends and others to donate to meet the fundraiser's goal required to move into the production phase.

Crowdfunding can also refer to the funding of a company by selling small amounts of equity to many investors.

The Securities Act of 1933 made it unlawful for a business to publicly advertise that it was seeking to raise investment capital, otherwise known as general solicitation. It prohibited businesses without an exemption from registration from offering equity in their company to the public unless it is registered with the Securities and Exchange Commission (SEC).

In April 2012, the **Jumpstart Our Business Startups Act** or **JOBS Act** was signed into law to help alleviate the funding gap and accompanying regulatory concerns faced by startups and small businesses in connection with raising capital in relatively low dollar amounts. The SEC was tasked with proposing and implementing regulations to carry out the legislation that creates an exemption to permit securities-based crowdfunding activities tar-

geted to accredited and non-accredited investors alike.

The JOBS Act sometimes informally refers to just Titles II and III of the legislation. Title II of the act went into effect September 23, 2013, lifting the ban on general solicitation for early stage private companies, opening opportunities to access untapped accredited investors. According to current regulations, businesses may not raise money with non-accredited investors. Title III, not yet in effect, is the non-accredited crowdfunding component of the JOBS Act which allows non-accredited individuals to participate and invest online into private companies in small increments.

Under Title II, companies can publicly solicit only accredited investors: people with \$1 million in net worth or \$200,000 in annual income and accreditation of each investor must be verified. Businesses need to file a form D with the SEC before solicitation begins and disclose details about it within 15 days from the first solicitation. Failing to follow the requirements for general solicitation could result in the SEC banning a business from fundraising for a year.



Title III is the component of the legislation that has the ability to transform the crowdfunding landscape by allowing non-accredited investor participation and the creation of an online funding portal. The current rules proposed by the SEC for Title III include limits on how much non-accredited investors are allowed to invest annually. For example, those with incomes below \$100,000 are limited to investing a maximum of \$2,000 or 5% of net worth. Companies would be limited to raising no more than \$1 million per year, required to file an annual report with the SEC and investors, among other requirements. It is anticipated that the rulemaking process will be concluded in the first half of 2014.

If you haven't yet considered crowdfunding as an option for raising capital for your business or start up, now is an ideal time to follow the process and consider the possibilities that this tool presents for you. Companies looking for funding today should be focused on the immediate investment crowdfunding opportunity with accredited investors with an eye on non-accredited investors in the near future.



RESOURCE ORGANIZATION SPOTLIGHT:

The Procurement Technical Assistance Center (PTAC)

Governor's Office of Economic Development

The Nevada Procurement Technical Assistance Center (PTAC), is a free service designed to help small businesses in Nevada contract with local, state and federal government agencies.

The Nevada program, dubbed the Procurement Outreach Program or POP, recently added Procurement Technical Assistance Center (PTAC) to the name in an effort to reflect a connection with national similarly federally-funded programs of the same name.

The Nevada PTAC, founded in 1986, is part of a nationwide network of business counselors committed to helping businesses improve marketing skills for both prime and sub-contract opportunities across federal, state and local government agencies. The Nevada program is part of the Nevada Governor's Office of Economic Development.

Services include one-on-one counseling, bid-matching, workshops, and buyer matchmaking events. The program offers regularly scheduled government contracting workshops in both Reno and Las Vegas as well as monthly webinars, new for 2014. Currently, more than 1,200 Nevada businesses are actively participating in the program state-wide.

"Procurement" is a big word that has a simple meaning: acquiring goods and services for the best possible cost and at the best possible time to benefit others. It is a term most often used within governmental agencies – and the U.S. federal government is the largest single purchaser in the world buying over \$500 billion in goods and services each year. State governments across the country have a

combined total budget of over \$1 trillion annually, much of which is spent on goods and services as well. This represents an enormous and noteworthy opportunity for businesses that are looking for customers to buy their products and services.

The process of securing a government contract can sometimes be daunting – if it were that easy, every business would do it. However, there are steps any business can take to establish the necessary groundwork to pursue government business successfully. Keep in mind that there are resources available to assist you through the Nevada PTAC.

For more information or assistance, contact a PTAC Procurement Specialist :

(775) 687-9900 in Carson City

(702) 486-2700 in Las Vegas

(775) 687-9922 in Fallon (Rural specialist)

Or email procurement@diversifynevada.com

“The PTAC strives to increase the number of Nevada companies capable of doing business with the government and connect those companies with lucrative opportunities to expand their business into the government sector. The PTAC is committed to strengthening Nevada businesses, generating employment and diversifying our state-wide economy.”



- Lyndee Cichon, PTAC Director

PTAC Small Business Client Finds Contracting Success

New PTAC client **Schoorl Enterprises, LLC**, is a family owned and operated flooring, landscaping and construction business located in Battle Mountain, Nevada. Don Schoorl and his wife Sonia started the business to provide services exclusively to government agencies following more than 23 years working for a contract exploration drilling company in Northern Nevada.

Carson City Procurement Specialist Steve Yates and Rural Procurement Specialist Maggie Neidigh, provided the Schoorls with encouragement and advice regarding the government contracting process. PTAC also assisted them with registering their business for the first time in the System for Awards Management (SAM), a requirement for all federal contractors. Ensuring that their profile was accurate and contract-ready was just the first step.

The company was awarded contracts with Bureau of Land Management to tile an elevated floor for the BLM Information Technology server room in Battle Mountain and replace carpet in temporary housing units utilized by BLM in Battle Mountain. The value of these two contracts totals approximately \$50,000. With the Schoorl's commitment to quality work and excellent customer service, PTAC staff is confident that the Company's initial success with the BLM project contracts will open the doors to new opportunities to grow their business in the government marketplace.

NEWS YOU CAN USE

The Buzz Can't be 'Contained' in Las Vegas

Turning the adage on its ear that you need to “think big” to be in business, the Container Park opened in November 2013 and is thriving in downtown Las Vegas. This unique development, constructed of brightly colored shipping containers provides each of its 34 tenants with a mere 250 square foot of retail space.

Located at Seventh and Fremont Street, this unique project highlights a 40-foot fire-breathing praying mantis at the entrance that once stood guard at Nevada's Burning Man festival. At the center of the development is a playground and interactive zone designed for children. A shipping container has been converted into a 30-foot-tall tree-house with three different slides. An outdoor theater will host an array of entertainment from children's programs to musical performances.

All of its nearly 20,000 square-feet of bars, restaurants, boutiques and art gallery spaces is currently leased. Operating hours and tenant information can be found on their website- <http://downtowncontainerpark.com>.

Droning On

In December 2013, the FAA chose Nevada as one of six states to begin testing drones for commercial use. Each test site will focus on different elements, with Nevada concentrating on standards, operations and certification requirements as well as air-traffic-control procedures. The FAA will provide oversight during the testing phase to ensure safety is a priority. The research and testing will be carried out at four Nevada airports to include Boulder City Municipal Airport, Reno Stead Airport, Fallon Naval Air Station and the Nevada National Security Site. Testing could begin as early as June.

The Unmanned Aerial System (UAS) industry holds the promise of many good jobs for Nevadans. According to the Governor's Office of Economic Development, the State's forecast shows that there could be over 10,000 jobs for UAS direct employees with an average wage of approximately \$62,000 and an estimated \$2.5 billion in economic impact by the middle of the next decade.

New Tipping Rules in Effect for 2014

A new IRS ruling (Rev. Rul. 2012-18) effective January 1 addresses the issue of automatic gratuities. Restaurants, nightclubs, and other hospitality businesses commonly add an automatic gratuity of 18 or 20% to a patron's total bill for parties of 6 or more. The IRS has determined that these are not truly 'gratuities' but rather service charges since the customer does not have the option of whether or not to leave it.

Currently, employees must report their monthly cash tips of \$20 or more on IRS Form 4070. Employee monthly tip reporting does not apply to mandatory tips/service charges. Employers must collect income and payroll tax on the reported tips.

Unlike tips, service charges are regular taxable wages. Employees will not be able to take that cash home on a daily basis and must wait for it to be included in their paychecks. Employers must now track, withhold payroll taxes on, and report all service charge wages to the IRS. The only way to avoid the headache of additional paperwork is to abandon mandatory tipping altogether. No matter how employers want to proceed with this new ruling, they should check with their accounting and legal teams to ensure they are in compliance.

Startup Weekend Coming to Tahoe

Startup Weekend is a 54-hour event designed to provide a superior experiential education for technical and non-technical aspiring entrepreneurs. Beginning with Friday night pitches and continuing through brainstorming, business model creation, market validation, and basic prototype creation, Startup Weekend culminates with Sunday night demonstrations and presentations.

Participants create working startups during the event and are able to collaborate with like-minded individuals outside of their daily networks. All teams hear talks by industry leaders and receive valuable feedback from local entrepreneurs. The weekend centers on action, innovation, and education. Whether you are looking for feedback on an idea, a co-founder, specific skill sets, or a team to help you execute, Startup Weekends are the perfect environment in which to test your idea and take the first steps towards launching your own startup.

For more information visit: <http://www.eventbrite.com/e/startup-weekend-tahoe-march-7-9-2014-registration-9854942398>

SCATS: Partnering with Employers to Keep the Workplace Safe



The Safety Consultation and Training Section (SCATS), part of the Nevada Department of Business and Industry, Division of Industrial Relations, helps Nevada employers and employees create and maintain a safe and healthy workplace. SCATS accomplishes this by providing free, high-quality safety and health consultation services that focus on the prevention of injuries and illness.

In 2013, SCATS performed 652 on-site consultation visits for approximately 600 employers across the state of Nevada with emphasis in construction, manufacturing and hotel industries. Over 10,000 consultant hours were provided to Nevada employers at no cost. During these visits nearly 5,000 serious hazards were found, providing the employer the opportunity to resolve the hazard without penalty. Each of the serious hazards found was corrected by the employer during the course of the consultative process, leading to a safer work environment for their workers.

What does this mean for Nevada's small businesses?

If each of the 5,000 hazards found last year during the SCATS consultations were found during an OSHA

inspection, each violation would have been subject to a penalty of up to \$7,000. Subsequently, the 5,000 serious citations would have cost Nevada employers up to \$35 million in fines.

By taking proactive measures to assess the safety of their workplace and the health of their employees with the assistance of a SCATS consultant, employers not only avoided costly fines, but many employers have seen a reduction in workplace injuries and illness, lost time, and worker's compensation cost.

What other resources and services does SCATS provide?

SCATS offers a wide variety of compliance assistance materials such as the Nevada OSHA poster in English and Spanish, fact sheets, safety tips and video lending library. Formal classroom training is also conducted every month on safety and health regulatory awareness and hazard recognition. Check the SCATS website for the latest training schedule.

For further information contact SCATS:

1-877-4SAFENV(472-3368)
www.4safenv.state.nv.us

LOOKING FOR A BELOW MARKET CAPITAL LOAN?

The 2013 Nevada Legislature created the Nevada New Markets Tax Credit program to help businesses located in low-income areas get access to below market loans. Seven federally certified community development entities (CDEs) were awarded tax credits through a competitive process, which they, in turn, sold to raise investment capital to lend through the program. CDEs work with banks to provide below market loan packages to qualified businesses and are required to invest most of the program's \$200 million raised by the end of this year.

They are actively seeking qualified business investment opportunities in federally defined low-income areas throughout Nevada. The CDEs are looking for investment opportunities between \$3 and \$5 million. The Department of Business and Industry, the agency overseeing the program, can help businesses by facilitating introductions to these CDEs.

For more information, or to determine if your business is located in a federally defined low-income area, go to <http://business.nv.gov> and click on the Access to Capital link at the bottom of the page and New Markets Tax Credit Program link.

Coming to a Ballot Near You: Margin Tax Initiative

The Margin Tax Initiative is a complex tax proposal that will appear on the November 2014 ballot. If passed, it would impose a two percent margin tax on gross revenues for all Nevada businesses with total annual revenues of more than \$1 million, regardless of profit.

The Initiative contains 84 sections of complicated legal and technical language that would create a new bureaucracy to interpret and implement the regulations.

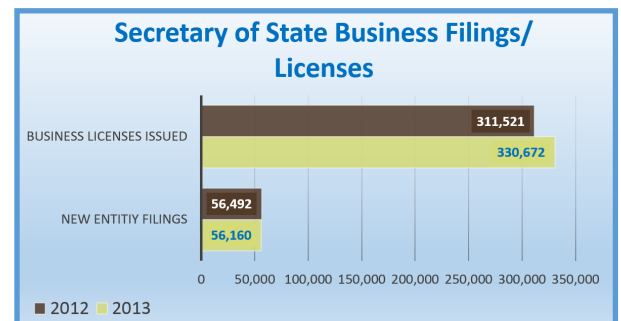
Nevada has proudly lauded our business friendly climate, including a low tax environment, to encourage new business growth and the relocation of business to our state. Passage of this tax will alter the view of businesses looking to relocate to our state, place a financial burden on home-grown businesses and open the door to a spike in unemployment.

For these reasons and more, the Department of Business and Industry is joining prominent members and supporters of the business community to encourage you to help defeat this job killing tax.

To learn more or to join the Coalition to Defeat the Margin Tax, visit www.StoptheMarginTax.com.

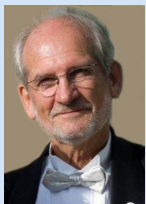
Business by the Numbers

- ◆ New business entity filings in 2013 remained relatively flat, according to the Nevada Secretary of State's Office. Business filings for both domestic and foreign entities fell slightly from 56,492 in 2012 to 56,160. However, Nevada has the most limited liability companies (LLCs) and corporations in good standing since 2008, with 330,672.
- ◆ According to the Department of Employment, Training and Rehabilitation, since bottoming out in 2010, employment in the small business sector has increased by more than 27,000 and has risen for 9 consecutive quarters (as of September 1, 2013). The largest gain in job growth by establishment size was recorded in businesses with 50-99 workers, which added 7,300. Establishments with 20-49 workers added over 6,000 jobs. Those with 500-999 employees showed the least amount of job growth.
- ◆ During FY 2013, there were 438 SBA loans made in Nevada, including 328 7(a) loans and 110 504 loans totaling \$193,276,400, an increase of more than \$18 million over the prior fiscal year.



\$193,276,400

Total of SBA loans made in fiscal year 2013 in Nevada.



Warren Cooley, VP/ Interim COO
Valley Economic Development Center
wcooley@vedc.org

Q: When the economy tanked, my business suffered and my credit score took a hit. My business is coming back and I'm ready to expand. What steps do I need to take to get my credit back on track so that I can obtain capital financing?

A: The Great Recession started in 2008, and within two years, economic metrics indicated that it was over – just like that! Unfortunately, for those who own businesses, and particularly smaller businesses, “over” has not been the case. The number of small businesses throughout the country who have not taken a serious financial hit during the ensuing five plus years are few and far between. There is no cure-all or silver bullet that will quickly cure the damage, but there is hope. Here are three imperatives:

- 1) **Don't ignore the issues.** If you owe back taxes, work with taxing agencies to get an agreement in place to pay what you owe (or what you can negotiate). Same process applies to money you owe to vendors and debt obligations.
- 2) **Create a plan.** Determine what you plan to do to take care of your company's financial obligations. Make it realistic and stick to it.
- 3) **Find a transitional lender.** Just because your bank may not be able to lend you money, does not mean that it is not available. Transitional lenders are typically non-profit organizations who have more lenient underwriting criteria than regulated banks, and their interest rates are close to those charged by commercial lenders. The goal of transitional lenders is to provide financing to qualifying businesses for a short term (3-5 years), providing them with the financing they need to stabilize, then grow their business, while at the same time getting their finances in order so that they can once again secure funding from commercial banking institutions.

Have a question for one of our guest experts? Email cfoley@business.nv.gov.

STATEWIDE CALENDAR OF EVENTS*

LAS VEGAS

- FEB. 22 **How to Fund Your Business**
SBA- 300 S. 4th Street, Suite 400
9:00– 11:30 am
- FEB. 28 **Marketing to the Government and Prime Contractors**
Clark County Government Center
4th Floor, Gold Conference Room
7:30-9:30 am
- MAR. 28 **Doing Business with the Nevada Purchasing Division**
Clark County Government Center
1st Floor, Pueblo Conference Room
7:30– 9:30 am
- APR. 2 **Institute for Supply Management Supplier Opportunity Fair**
Brady Industries– 4055 Lindell Rd.
9:00 am– 12:00 pm

RENO/ N. NEVADA

- FEB. 13 **Doing Business with the GSA**
Washoe County Government Center
100 E. Ninth St., Bldg. C Conference Room
1– 3:00 pm
- MAR. 13 **Doing Business with the Nevada Purchasing Division**
Washoe County Government Center
100 E. Ninth St., Bldg. C Conference Room
1– 3:00 pm
- MAR. 19 **Vandenberg AFB 2014 Small Business Outreach Event**
Veterans Memorial Community Center
Santa Maria, CA
8:00 am– 12:30 pm
- APR. 8-10 **12th Annual Veterans and Small Business Training and Outreach Conference**
John Asuaga's Nugget– Sparks

ONLINE WITH GOED

- FEB. 19 **SAM Registration and Updates**
2:00– 3:00 pm
- MAR. 19 **Writing a Winning RFP Response**
2:00– 3:00 pm
- APR. 16 **Gov't Contracting 101**
2:00– 3:00 pm

*For event details, registration instructions and cost, please visit http://business.nv.gov/Business/Event_Calendar/

About the Nevada Department of Business & Industry

The Nevada Department of Business and Industry is the state's most diverse department. Encompassing 13 divisions and the Director's Office, the Department impacts nearly every employer and employee in the state of Nevada. Our divisions have administrative and regulatory authority over areas including real estate, financial institutions, housing, transportation, insurance, labor and wage, and workplace safety.

While playing an important role in providing administrative and financial oversight of the divisions, the Director's Office is also the state's small business advocate. We manage a number of programs and initiatives to address the needs of homeowners, consumers and small businesses.

We have developed a number of programs and initiatives to support the establishment and growth of the small business sector throughout the state.

- **Advocacy and Regulatory Assistance:** From helping to clear bureaucratic logjams to reviewing and monitoring regulations for potentially burdensome impacts, our office serves as the voice of small business in State government.

- **Access to Capital:** We can help you find information on a variety of financial incentives and small business finance programs available to small business owners and entrepreneurs throughout the state.

- **Bond Programs:** We help organizations borrow money. We fill a vital niche by providing lower cost financing through the issuance of tax-exempt private activity bonds for qualified projects.

- **New Markets Tax Credit Program:** As the administrator of the program, we are anxious to assist small businesses obtain below-market capital loans by connecting you to the entities that have money to lend to businesses located in low-income areas of the state.

- **Referrals and Information:** Whether you need assistance writing a business plan, preparing financial statements or licensing and permitting, we can direct you to organizations that can help.

- **Training and Education:** We provide a comprehensive list of resources and information including a statewide small business community calendar highlighting education and training opportunities on the Department's website at <http://business.nv.gov>.

- **Governor's Conference on Small Business:** This annual conference is hosted by the Department in northern and southern Nevada on a rotating basis. The event brings service providers, industry leaders, government officials, financing professionals and business development organizations under one roof for a comprehensive one-stop event for businesses and would-be entrepreneurs.



**TALK TO US.
WE'RE LISTENING.**

We are interested in hearing what you have to say! Please feel free to email us with small business questions or concerns, topics you would like us to address in future editions or a question you'd like to pose to one of our featured guest experts.

Carrie Foley, Program Officer
cfoley@business.nv.gov



(702)486-2750
(775)684-2999



business.nv.gov



@SmallBizNV



/BusinessandIndustry



State of Nevada
Department of Business & Industry

555 E Washington Avenue, Suite 4900 Las Vegas, NV 89101
1830 College Parkway, Suite 100 Carson City, NV 897106
biinfo@business.nv.gov